

STAFF REPORT

City of Lancaster, California

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Date: June 10, 2008

To: Mayor Parris and City Council Members

From: Elizabeth Brubaker, Housing and Neighborhood Revitalization Director

Subject: **Approve Amendment to the Lease Agreement between North Downtown Renewal, L.P. and the City of Lancaster**

City Council Recommendation:

Approve Amendment to the Lease Agreement with Option to Purchase Real Property between the City of Lancaster and North Downtown Renewal Limited Partnership for commercial property located at 665 West Lancaster Boulevard.

Fiscal Impact:

The estimated cost to renovate the commercial property located at 665 West Lancaster Boulevard for the relocation of the Lancaster Museum and Art Gallery is \$1,309,961. There are funds remaining in account 101-11BS001924 in the amount of \$264,961 to be used towards the design of the renovation. The remaining \$1,045,000 will come from the sale of property to the Antelope Valley High School District where the Lancaster Museum and Art Gallery is currently located. These funds are to be appropriated with the 2008/09 budget adoption.

Background:

On November 8, 2005, the City Council approved an Agreement for Professional Services with RBF Consulting Incorporated for the preparation of the Downtown Specific Plan. The City and the Redevelopment Agency (the "Agency") have made significant public investments throughout the downtown area over the past 20 years, including major drainage improvements to control storm water run-off, the addition of several public parking lots in the downtown area to serve local business, widening sidewalks and introducing a modern street theme involving new pedestrian lighting, street trees, paving materials, street furniture and aerospace walk of honor monument, construction of City Hall facilities, the Performing Arts Center, and the Lancaster Museum Art Gallery. In addition, the City has assisted in the relocation of Los Angeles County Sheriff's Station, the Los Angeles County Library, the Metrolink station and the Veterans Administration urgent care facility on Lancaster Boulevard.

During 2005, the City of Lancaster initiated a comprehensive planning process for Downtown Lancaster in an effort to revitalize Downtown and create a corridor that is a place of historic, cultural, social, economic, and civic vitality for the Lancaster community, as well as the Antelope Valley.

In 2007 the City of Lancaster was presented with a unique opportunity to be a participant and kick-off the effort to further makeover Downtown Lancaster. Through a cooperative venture with private development interests in the downtown, the City and Agency had a chance to redevelop and reuse a large downtown vacant commercial building as part of the ongoing improvements being made to the Downtown. On July 10, 2007, the City Council approved the Lease Agreement with Option to Purchase Real Property between the City of Lancaster and North Downtown Renewal Limited Partnership for commercial property located at 665 West Lancaster Boulevard.

North Downtown Renewal, L.P. is the owner of the commercial building located at 665 West Lancaster Blvd, where Wells Fargo Bank was formally located, on the northeast corner of Lancaster Boulevard. The City entered into a lease with North Downtown Renewal, LP to lease the subject building for ninety-nine years with the option to purchase the property beginning in the seventeenth year. The City/Agency holds a sole leasehold interest in the real property together with fifty (50) parking spaces. The Lease provided for rent in the amount of \$1,500,000.00 to be paid upon commencement of the Lease plus one dollar (\$1.00) per year. The City also retained an exclusive right regarding the transfer of title to the property to the City to be exercised following year seventeen (17) of the Agreement.

The City received full control of the property in October of 2007 and North Downtown Renewal, L.P., as the Landlord, renovated the subject building for City use. During this same time period the Agency entered into discussions with Antelope Valley High School District (the "District") to sell the property which houses the Lancaster Museum and Art Gallery for \$1,045,000. The District is growing and needs the space currently occupied by the Museum.

The Museum and Art Gallery being located in the downtown is the most desirable and convenient location making it easily accessible for pedestrians and the public. Therefore, it is necessary to have the landlord make improvements to the 665 West Lancaster Boulevard property for the relocation of the Lancaster Museum and Art Gallery, allowing for the sale to the District to move forward.

Agency staff believes that entering into a Amended Lease Agreement with the Option to Purchase 665 West Lancaster Boulevard is in harmony with the Downtown Specific Plan and therefore is recommending that the City Council approve the proposed amendment to do the design and renovation of the subject building.